



Thinking beyond borders: Management of extended business travelers - Poland

January 2024



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01

Key message

A person's liability for tax in Poland is determined by residence status for taxation purposes and the source of income derived by the individual. Income tax is levied at progressive rates (12 percent and 32 percent) on an individual's taxable income for the calendar year, which is calculated by subtracting allowable deductions from the total assessable income. In certain cases, income tax is levied using a flat rate tax of 19 or 20 percent.

1 Key message

Extended business travelers are likely to be taxed on employment income relating to their Poland workdays. Other Polish-sourced income is also taxable. The application of relevant double tax treaties should be considered.

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Income tax

2 Income Tax

2.1 Liability for income tax

An individual's income tax liability in Poland is determined by the residency status of that individual.

According to Polish personal income tax regulations, a tax resident will be subject to an unlimited tax liability in Poland. Under such circumstances, the individual's worldwide income will be subject to taxation in Poland regardless of the source of income.

Alternatively, an individual who is not a tax resident of Poland will be subject to a limited tax liability in Poland. In this case, only income from Polish sources will be subject to Polish taxation.

Under Polish law, a tax resident of Poland is:

- an individual whose center of vital interests (center of economic or personal interests) is in Poland or,
- an individual who spends more than 183 days in a calendar year in Poland.

Just one of the above criteria need to be met for an individual to be considered a tax resident of Poland.

These rules, however, should be applied taking into consideration the provisions of double tax treaties concluded by Poland.

Generally, extended business travelers are likely to be considered non-residents of Poland for tax purposes unless they spend more than 183 days in a year in Poland or move their center of vital interests to Poland.

2.2 Tax trigger points for employment income

There is no threshold/minimum number of days that exempts the employee from the requirements to file and pay tax in Poland. Exemption from tax, however, may result from the relevant double tax treaty if certain criteria are met. The individual becomes liable to taxation as soon as such exemptions cease to apply.

2.3 Types of taxable income

For extended business travelers, the types of income that are generally taxed are employment income or personal service contracts, other Polish-sourced income, and gains from Polish assets (such as interest or real estate income).

2.4 Tax rates

Employment income is subject to taxation in Poland at progressive tax rates ranging from 12 to 32 percent. Capital gains are subject to a flat rate tax of 19 percent. Some specific types of income (including personal service contracts and director's fees) received by non-residents are subject to a 20 percent flat rate tax

Taxable income in Polish zloty (PLN)	Tax applicable
Up to 120,000	12 percent minus tax-free amount of PLN 3,600.00

Taxable income in Polish złoty (PLN)	Tax applicable
More than 120,000	PLN 10,800.00 plus 32 percent of excess over PLN 120,000.00

Please note certain classes of investment income such as dividends, interest and gains on the sale of shares are taxable at a flat rate of 19 percent and not at progressive rates.

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Social Security

3 Social Security

3.1 Liability for social security

Liability for Polish social security may be determined based on general European Union (EU) provisions (such as the place of work performance) or based on Polish provisions if a local contract is concluded. The Polish social security system consists of three pillars to which payments are made. The first and second are obligatory, the third is not. Contributions are split between the employee and the employer. Generally, social security applies to income derived under a Polish employment contract and/or Polish service contracts and business activities, depending on the situation. As a rule, it does not apply to foreign-sourced income, unless EU regulations are applicable.

Other extended businesses travelers, in some cases, may stay in their home country/jurisdiction's social security systems and obtain exemptions from paying Polish social security based on the provisions of social security treaties signed between their home country/jurisdiction and Poland.

The table below provides an overview of the current types of contribution and applicable rates.

Type of insurance	Paid by employer	Paid by employee	Total
Pension Fund ¹	9.76%	9.76%	19.52%
Disability Fund ¹	6.50%	1.50%	8.00%
Bridging Pension Fund (FEP) ³	0% or 1.50%		0% or 1.50%
Illness Fund	0%	2.45%	2.45%
Accident Fund ²	0.67%–3.33%	0%	0.67%–3.33%
Employees' Guaranteed Benefits Fund	0.10%	0%	0.10%
Labor Fund	2.45%	0%	2.45%
Total (up to limit) ⁴	19.48 %–22.14%	13.71%	33.19%–35.85%
Total (past limit) ⁴	3.22%–5.88%	2.45%	5.67%–8.33%

1. Once an individual's gross remuneration exceeds 30 average estimated national salaries for a given year (PLN 234,720 for 2024) contributions toward these funds cease.
2. Accident fund contributions are calculated based on the number of individuals registered for accident insurance and the activity of the payer specified under the employer's statistical Polish National Business Registry Number (REGON) according to the Polish Classification of Business Activities. The level of accident fund is determined through the decision of social security authorities.
3. This contribution only applies to individuals carrying out work in specific industries that have a specific character
4. It is assumed that Bridging Pension Fund is not paid.

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Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

Individuals working in Poland on non-Polish employment contracts who become liable to income tax in Poland must make advance payments of tax on a monthly basis. Annual tax returns (due by 30 April of the following year) must also be filed in such cases.

In the case of individuals who transfer to local contracts in Poland, the employer withholds tax from their pay on a monthly basis, although an annual tax return must also be filed in such cases.

4.2 Employer reporting and withholding requirements

Foreign employers are not responsible for Polish tax advance payments. These are the liability of the individual themselves, although in practice such payments may be made by the employer to facilitate the payment process. It should be kept in mind that this is only a practice, as based on the regulations the payments should only be processed by the taxpayer.

If an individual concludes a local contract, the employer is subject to tax and social security withholding requirements. The tax withheld by the employer must be paid to the tax office by the 20th of the month following the month in which it was withheld.

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Immigration

5 Immigration

5.1 Work permit/visa requirements

Citizens of countries/jurisdictions with which Poland has signed agreements related to visa-free travel may remain within the territory of Poland (without performing work) for periods of usually up to 3 months. However, citizens of certain countries/jurisdictions still require a visa in order to enter Poland.

If an individual would like to stay longer in Poland, a temporary residence permit or visa is usually required. EU citizens should obtain confirmation of their stay in Poland.

Work permits are generally required for foreign individuals who are not EU citizens. Generally, the procedure for obtaining this document requires involvement of the Polish company where the work is being performed.

5.2 Other immigration considerations

Although EU citizens do not need a work or residence permit to live and work in Poland, if they stay for longer than 3 months, they are required to obtain a registration confirmation document.

5.3 Immigration compliance

It is strongly advisable for companies to ensure that they are in full compliance with immigration requirements of their employees, for example work permit regulations. In cases of no compliance, penalties and sanctions may be applied to both the employer and employee concerned.

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Other issues

6 Other issues

6.1 Double taxation treaties

Poland has a broad network of bilateral tax treaties. Polish domestic tax regulations also provide methods to avoid double taxation of income taxed outside of Poland.

6.2 Permanent establishment implications

There is the potential risk that a permanent establishment (PE) could be created as a result of extended business travel, but this would be dependent on all surrounding circumstances, mainly on the type of services performed and the level of authority the employee has.

6.3 Indirect taxes

Poland's basic rate of value-added tax (VAT) is 23 percent. Certain transactions are subject to lower rates of 8 percent, 5 percent, or 0 percent, and some transactions are exempt from VAT altogether.

Taxes are also imposed on certain civil law transactions such as loans or the creation of a company.

6.4 Transfer pricing

Poland has a transfer pricing regime.

6.5 Local data privacy requirements

Poland has data privacy laws, and it is recommended that the employer obtain the employee's consent in order to transfer data outside of Poland. The consent should state the specific data to be transferred, the reason for transfer, and the party to whom the information will be transferred. An electronic signature or acceptance from the employee is sufficient for this consent requirement.

6.6 Exchange control

Poland does not restrict the flow of Polish or foreign currency into or out of the country/jurisdiction. However, certain reporting obligations are imposed to control tax evasion and money laundering.

Amounts in cash up to 10,000 Euros (EUR), or the equivalent in foreign currencies, may be taken out of the country/jurisdiction without specific permits; any amounts may be transferred out of the country/jurisdiction, provided appropriate documentation exists such as contracts or invoices.

Some limitations and restrictions are applicable, especially in relation to transactions with entities from states that are not part of the EU, EEA, and the Organisation for Economic Co-operation and Development (OECD), or states with which Poland has not concluded bilateral investment treaties.

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